NEWS RELEASE

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THREE SENTENCED FOR REAL ESTATE FRAUD

(Tyler, TX) United States Attorney Matthew D. Orwig announced today that three men have been sentenced in a massive real estate scheme that defrauded investors of more than $27 million in the Eastern District of Texas.

JULES B. FLEDER, 66 of Los Angeles, **JACK A. BROWN**, 67, of Marshall, and **ROGER SHERMAN**, 72, of Minneapolis, Minnesota, were sentenced today by United States District Judge Michael Schneider.

According to information presented in court, between 2001 and 2004, Fleder, Brown, and Sherman devised a series of real estate joint ventures. Each of these joint ventures, while varying in some respects, were similar in nature and terms. Through advertisements in newspapers and seminars, Fleder recruited insurance agents, financial advisors, and others to sell interests in these real estate joint ventures to their clients. Fleder provided offering documents to the agents and advisors which were used to solicit investors. In the offering documents, Fleder represented that the Fleder-controlled entities owned valuable real estate in South Carolina, Virginia and Lindale, Texas. Fleder and Brown promised investors that their monies would be used to develop these tracts of real estate and that they would share in the profits realized from the development and sale of the real estate. Fleder and Brown further promised investors that their investments were safe and secured by the real estate being developed with their money. As an integral part of each of these real estate joint ventures, the Defendants represented to investors that modular homes would be placed on the properties, both as improvements and to generate further profits from the sales of the modular homes.

The Defendants misrepresented the true merits of the investment offerings and failed to disclose material facts regarding the investments. The Defendants typically misrepresented the ownership of the properties, the value of the properties and the use of investment proceeds. In each instance, the entity that allegedly ?owned? real estate in South Carolina, Virginia or Texas, in fact, did not own the real estate that the investor funds were to develop. In at least two of the offerings, the property the Defendants allegedly intended to develop with investor funds had been recently purchased by Fleder, through a different Fleder-controlled entity. The Defendants failed to disclose that they had purchased the properties for a fraction of their purported value.

Contrary to the representations made in offering materials, investor funds were used for virtually everything but the development of real estate, including making "*ponzi*-type" payments to investors and purchasing luxury automobiles, expensive boats, and a house for Fleder in Beverly Hills, California. Over the course of the conspiracy, the Defendants and others solicited millions of dollars from investors in the Eastern District of Texas and other parts of the United States in connection with these real estate joint venture offerings.

In addition to the real estate joint ventures, investors were solicited to invest directly in the operations of a modular housing factory. The Defendants also misrepresented the true status of the modular home factory to investors. Despite the fact that the factory manufactured relatively few homes, was deeply in debt, undercapitalized, and frequently struggled to meet payroll and other expenses, Fleder and Brown sent quarterly newsletters and other promotional materials to investors and potential investors which asserted that the factory had been turned into a successful operation that would soon be merged with another company for purposes of being publicly traded on the stock market. Fleder represented that, once the company was publicly traded, the investments would increase in value and the investors would realize greater profits.

Fleder fled to Bali, Indonesia during the investigation, but was ultimately arrested by the FBI and returned to the United States for prosecution.

In addition to the prison sentences imposed, each man was ordered to serve three years on supervised release following release from prison. Fleder and Sherman were each ordered to pay restitution of $27,540,302 and Brown was ordered to pay restitution in the amount of $8,286,950.

The case was investigated by the Federal Bureau of Investigation, the Securities and Exchange Commission, and the Texas State Securities Board. The case was prosecuted by Assistant United States Attorneys Wes Rivers and Arnold Spencer.

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